



ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2011  
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code 1311 , 1311 NAIC Company Code 95844 Employer's ID Number 38-2242827  
(Current Period) (Prior Period)

Organized under the Laws of Michigan , State of Domicile or Port of Entry Michigan

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]  
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ X ]  
Other [ ] Is HMO, Federally Qualified? Yes [ X ] No [ ]

Incorporated/Organized 06/27/1978 Commenced Business 02/08/1979

Statutory Home Office 2850 West Grand Boulevard , Detroit, MI 48202  
(Street and Number) (City, State and Zip Code)

Main Administrative Office 2850 West Grand Boulevard  
Detroit, MI 48202 313-872-8100  
(City, State and Zip Code) (Street and Number) (Area Code) (Telephone Number)

Mail Address 2850 West Grand Boulevard , Detroit, MI 48202  
(Street and Number or P.O. Box) (City, State and Zip Code)

Primary Location of Books and Records 2850 West Grand Boulevard  
Detroit, MI 48202 248-443-1093  
(City, State and Zip Code) (Street and Number) (Area Code) (Telephone Number) (Extension)

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OFFICERS

Name	Title	Name	Title
<u>William R Alvin</u> ,	<u>President and CEO</u>	<u>Ronald W Berry</u> ,	<u>Treasurer</u>
<u>Jeanne Dunk #</u> ,	<u>Secretary</u>		

OTHER OFFICERS

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DIRECTORS OR TRUSTEES

<u>William R Alvin</u>	<u>Cindy Bala-Brusilow Ph D</u>	<u>Marvin W Beatty</u>	<u>William A Conway MD</u>
<u>Linda Ewing</u>	<u>John T Gargaro</u>	<u>Joyce V Hayes-Giles #</u>	<u>Harvey Hollins III #</u>
<u>Jamie C Hsu Ph D #</u>	<u>Kirk J Lewis #</u>	<u>Jackie A Martin</u>	<u>Catherine A Roberts</u>
<u>Robin Scales-Wooten</u>	<u>Nancy Schlichting</u>	<u>Rebecca R Smith</u>	<u>Susie M Wells</u>

State of Michigan  
County of Wayne

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

<u>William R Alvin</u> President and CEO	<u>Ronald W Berry</u> Treasurer	<u>Jeanne Dunk</u> Secretary
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ ,

Roderick Irwin Curry Notary  
August 14 2013

a. Is this an original filing? Yes [ X ] No [ ]  
b. If no:  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	152,922,363		152,922,363	110,872,960
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0		0	0
2.2 Common stocks .....	206,034,700	42,358,376	163,676,324	103,983,842
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....	3,645,890	2,907,765	738,125	767,022
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....4,246,364 , Schedule E-Part 1), cash equivalents (\$ .....0 , Schedule E-Part 2) and short-term investments (\$ .....113,764,007 , Schedule DA).....	118,010,371		118,010,371	193,253,982
6. Contract loans (including \$ .....premium notes).....			0	0
7. Derivatives (Schedule DB).....	21,488		21,488	46,000
8. Other invested assets (Schedule BA) .....	743,382		743,382	0
9. Receivables for securities .....	5,464,335		5,464,335	2,790,207
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets .....	1,321,538	0	1,321,538	1,353,321
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	488,164,067	45,266,141	442,897,927	413,067,335
13. Title plants less \$ .....charged off (for Title insurers only).....			0	0
14. Investment income due and accrued .....	1,115,794		1,115,794	943,362
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	46,597,061		46,597,061	30,751,670
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums.....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....			0	0
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....	475,000		475,000	473,614
18.1 Current federal and foreign income tax recoverable and interest thereon .....			0	0
18.2 Net deferred tax asset.....			0	0
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software.....	27,699,422	24,795,550	2,903,872	1,957,611
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	555,480	555,480	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	3,046,657		3,046,657	3,184,329
24. Health care (\$ .....4,410,827 ) and other amounts receivable.....	4,410,827		4,410,827	4,304,119
25. Aggregate write-ins for other than invested assets .....	2,847,613	2,764,889	82,725	71,748
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	574,911,921	73,382,059	501,529,862	454,753,789
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	574,911,921	73,382,059	501,529,862	454,753,789
DETAILS OF WRITE-INS				
1101. Deferred Compensation.....	1,074,239		1,074,239	1,000,258
1102. Rabbi Trust.....	247,299		247,299	353,064
1103. ....			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	1,321,538	0	1,321,538	1,353,321
2501. Goodwill.....			0	0
2502. Prepaid Expense.....	2,684,269	2,684,269	0	0
2503. Intangible Asset.....	80,620	80,620	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	82,725	0	82,725	71,748
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,847,613	2,764,889	82,725	71,748

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	121,126,752	2,444,470	123,571,222	115,396,294
2. Accrued medical incentive pool and bonus amounts .....	6,194,260		6,194,260	5,398,310
3. Unpaid claims adjustment expenses .....	1,151,572		1,151,572	927,229
4. Aggregate health policy reserves, including the liability of \$ ..... for medical loss ratio rebate per the Public Health Service Act.....	270,003		270,003	310,743
5. Aggregate life policy reserves .....			0	0
6. Property/casualty unearned premium reserves .....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance .....	14,759,302		14,759,302	14,931,635
9. General expenses due or accrued .....	26,878,887		26,878,887	21,914,917
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)).....			0	0
10.2 Net deferred tax liability .....			0	0
11. Ceded reinsurance premiums payable .....			0	0
12. Amounts withheld or retained for the account of others .....			0	0
13. Remittances and items not allocated .....			0	0
14. Borrowed money (including \$ .....5,416,667 current) and interest thereon \$ .....37,917 (including \$ .....37,917 current) .....	50,000,000		50,000,000	0
15. Amounts due to parent, subsidiaries and affiliates .....	1,579,319		1,579,319	1,722,811
16. Derivatives.....	206,805		206,805	123,440
17. Payable for securities .....	7,630,575		7,630,575	5,947,099
18. Payable for securities lending .....			0	0
19. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....			0	0
20. Reinsurance in unauthorized companies .....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates .....			0	0
22. Liability for amounts held under uninsured plans .....			0	0
23. Aggregate write-ins for other liabilities (including \$ ..... current) .....	30,727,302	0	30,727,302	2,050,203
24. Total liabilities (Lines 1 to 23).....	260,524,776	2,444,470	262,969,246	168,722,682
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
26. Common capital stock .....	XXX	XXX		0
27. Preferred capital stock .....	XXX	XXX		0
28. Gross paid in and contributed surplus .....	XXX	XXX		0
29. Surplus notes .....	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
31. Unassigned funds (surplus) .....	XXX	XXX	238,560,616	284,967,190
32. Less treasury stock, at cost:				
32.1 .....shares common (value included in Line 26 \$ ..... ) .....	XXX	XXX		0
32.2 .....shares preferred (value included in Line 27 \$ ..... ) .....	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	238,560,616	284,967,190
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	501,529,862	453,689,872
DETAILS OF WRITE-INS				
2301. Pension Liability - Long Term.....	22,551,660		22,551,660	
2302. Retiree Health Benefits.....	1,147,373		1,147,373	1,049,946
2303. Deferred Compensation.....	1,074,239		1,074,239	1,000,258
2398. Summary of remaining write-ins for Line 23 from overflow page .....	5,954,030	0	5,954,030	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	30,727,302	0	30,727,302	2,050,203
2501. ....	XXX	XXX		0
2502. ....	XXX	XXX		0
2503. ....	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001. ....	XXX	XXX		0
3002. ....	XXX	XXX		0
3003. ....	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	3,985,522	4,085,888
2. Net premium income (including \$ .....0 non-health premium income).....	XXX	1,791,333,734	1,733,243,460
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	1,058	6,008
8. Total revenues (Lines 2 to 7) .....	XXX	1,791,334,792	1,733,249,468
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		1,156,846,610	1,150,136,941
10. Other professional services .....			0
11. Outside referrals .....		72,238,079	55,663,090
12. Emergency room and out-of-area .....		165,327,115	140,579,375
13. Prescription drugs .....		228,289,068	238,391,809
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		4,475,732	7,053,662
16. Subtotal (Lines 9 to 15) .....	0	1,627,176,604	1,591,824,877
<b>Less:</b>			
17. Net reinsurance recoveries .....			0
18. Total hospital and medical (Lines 16 minus 17) .....	0	1,627,176,604	1,591,824,877
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ .....15,019,309 cost containment expenses.....		23,295,552	22,649,210
21. General administrative expenses.....		124,063,824	102,232,950
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	1,774,535,981	1,716,707,037
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	16,798,811	16,542,431
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		6,131,075	4,569,765
26. Net realized capital gains (losses) less capital gains tax of \$ .....849,316		849,316	4,678,913
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	6,980,391	9,248,678
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....		0	0
29. Aggregate write-ins for other income or expenses .....	0	0	49,738
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	23,779,202	25,840,847
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	23,779,202	25,840,847
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		0
0602. ....	XXX		0
0603. ....	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	0	0
0701. Gain/(Loss) on Sale of Fixed Assets.....	XXX	1,058	6,008
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	1,058	6,008
1401. ....			0
1402. ....			0
1403. ....			0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. CIGNA Miscellaneous Revenues.....			49,738
2902. ....			0
2903. ....			0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	0	49,738

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year .....	284,967,190	256,293,268
34. Net income or (loss) from Line 32 .....	23,779,202	25,840,847
35. Change in valuation basis of aggregate policy and claim reserves .....		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	6,227,419	3,716,933
37. Change in net unrealized foreign exchange capital gain or (loss) .....	111,053	(26,583)
38. Change in net deferred income tax .....		0
39. Change in nonadmitted assets .....	(53,225,810)	(857,275)
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....		0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....		0
44.3 Transferred to surplus .....		0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....		0
46. Dividends to stockholders .....		0
47. Aggregate write-ins for gains or (losses) in surplus .....	(23,298,437)	0
48. Net change in capital & surplus (Lines 34 to 47) .....	(46,406,574)	28,673,922
49. Capital and surplus end of reporting year (Line 33 plus 48)	238,560,616	284,967,190
<b>DETAILS OF WRITE-INS</b>		
4701. Correction of an Immaterial Error - 2010 Pension Reporting.....	(2,057,739)	0
4702. Additional Pension Liability.....	(18,843,945)	0
4703. Correction of an Immaterial Error - Goodwill Amortization.....	(2,396,753)	0
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(23,298,437)	0

CASH FLOW

		1	2
		Current Year	Prior Year
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance.....		1,775,316,009	1,725,662,503
2. Net investment income .....		7,807,217	5,680,445
3. Miscellaneous income .....		0	73,625
4. Total (Lines 1 through 3) .....		1,783,123,226	1,731,416,573
5. Benefit and loss related payments .....		1,618,312,433	1,587,905,420
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
7. Commissions, expenses paid and aggregate write-ins for deductions .....		133,076,401	109,561,462
8. Dividends paid to policyholders .....			0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses)		0	0
10. Total (Lines 5 through 9) .....		1,751,388,835	1,697,466,882
11. Net cash from operations (Line 4 minus Line 10).....		31,734,391	33,949,690
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....		443,744,343	205,289,272
12.2 Stocks .....		13,966,894	34,809,195
12.3 Mortgage loans .....		0	0
12.4 Real estate .....		0	0
12.5 Other invested assets .....		0	27,883,264
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		0	0
12.7 Miscellaneous proceeds .....		0	3,287,531
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....		457,711,237	271,269,262
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....		485,947,019	315,904,679
13.2 Stocks .....		110,443,429	27,479,387
13.3 Mortgage loans .....		0	0
13.4 Real estate .....		0	0
13.5 Other invested assets .....		255,978	0
13.6 Miscellaneous applications .....		990,652	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....		597,637,078	343,384,066
14. Net increase (decrease) in contract loans and premium notes .....		0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....		(139,925,841)	(72,114,804)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....		0	0
16.2 Capital and paid in surplus, less treasury stock .....		0	0
16.3 Borrowed funds .....		55,030,000	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....			0
16.5 Dividends to stockholders .....		0	0
16.6 Other cash provided (applied).....		(22,082,161)	(9,384,421)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....		32,947,839	(9,384,421)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....		(75,243,611)	(47,549,534)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....		193,253,982	240,803,516
19.2 End of year (Line 18 plus Line 19.1).....		118,010,371	193,253,982

Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001. Accrued Business Acquisition Costs.....	5,030,000	0
20.0002. ....		0
20.0003. ....		0

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	1,791,333,734	1,207,138,055	0	0	0	101,998,644	482,197,035	0	0	0
2. Change in unearned premium reserves and reserve for rate credit .....	0									
3. Fee-for-service (net of \$ ..... medical expenses) .....	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	1,058	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,058
7. Total revenues (Lines 1 to 6) .....	1,791,334,792	1,207,138,055	0	0	0	101,998,644	482,197,035	0	0	1,058
8. Hospital/medical benefits .....	1,156,846,610	767,114,532				62,690,461	327,041,617			XXX
9. Other professional services .....	0									XXX
10. Outside referrals .....	72,238,079	47,995,459				3,899,553	20,343,067			XXX
11. Emergency room and out-of-area .....	165,327,115	109,844,432				8,924,682	46,558,001			XXX
12. Prescription drugs .....	228,289,068	157,462,578				17,426,468	53,400,022			XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	4,475,732	4,475,732								XXX
15. Subtotal (Lines 8 to 14) .....	1,627,176,604	1,086,892,733	0	0	0	92,941,164	447,342,707	0	0	XXX
16. Net reinsurance recoveries .....	0									XXX
17. Total hospital and medical (Lines 15 minus 16) .....	1,627,176,604	1,086,892,733	0	0	0	92,941,164	447,342,707	0	0	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ .....15,019,309 cost containment expenses.....	23,295,552	15,926,359				964,790	6,404,403			
20. General administrative expenses .....	124,063,824	91,677,928				5,283,907	27,101,989			
21. Increase in reserves for accident and health contracts .....	0									XXX
22. Increase in reserves for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22) .....	1,774,535,981	1,194,497,021	0	0	0	99,189,861	480,849,099	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23) .....	16,798,811	12,641,033	0	0	0	2,808,783	1,347,936	0	0	1,058
DETAILS OF WRITE-INS										
0501. ....										XXX
0502. ....										XXX
0503. ....										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) .....	0	0	0	0	0	0	0	0	0	XXX
0601. Gain/loss on sale of assets.....	1,058	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,058
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	1,058	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	1,058
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above) .....	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	1,207,138,055			1,207,138,055
2. Medicare Supplement .....				.0
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal Employees Health Benefits Plan .....	101,998,644			101,998,644
6. Title XVIII - Medicare .....	482,197,035			482,197,035
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8) .....	1,791,333,734	.0	.0	1,791,333,734
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	1,791,333,734	0	0	1,791,333,734



ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct .....	1,614,632,651	1,077,710,550				92,779,225	444,142,876			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	0									
1.4 Net .....	1,614,632,651	1,077,710,550	0	0	0	92,779,225	444,142,876	0	0	0
2. Paid medical incentive pools and bonuses .....	3,679,782	3,679,782								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	123,571,222	99,181,734	0	0	0	5,119,728	19,269,760	0	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	123,571,222	99,181,734	0	0	0	5,119,728	19,269,760	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0									
4.2 Reinsurance assumed .....	0									
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	
4.4 Net .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	6,194,260	6,194,260								
6. Net healthcare receivables (a).....	106,707	106,707								
7. Amounts recoverable from reinsurers December 31, current year .....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	115,396,294	94,368,576	0	0	0	4,957,789	16,069,929	0	0	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	115,396,294	94,368,576	0	0	0	4,957,789	16,069,929	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	5,398,310	5,398,310	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year .....	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct .....	1,622,700,872	1,082,417,001	0	0	0	92,941,164	447,342,707	0	0	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
12.4 Net .....	1,622,700,872	1,082,417,001	0	0	0	92,941,164	447,342,707	0	0	0
13. Incurred medical incentive pools and bonuses .....	4,475,732	4,475,732	0	0	0	0	0	0	0	0

(a) Excludes \$ ..... 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct .....	32,532,775	25,634,409				1,119,954	5,778,412			
1.2. Reinsurance assumed .....	.0									
1.3. Reinsurance ceded .....	.0									
1.4. Net .....	32,532,775	25,634,409	.0	.0	.0	1,119,954	5,778,412	.0	.0	.0
2. Incurred but Unreported:										
2.1. Direct .....	75,957,017	59,850,819				2,614,850	13,491,348			
2.2. Reinsurance assumed .....	.0									
2.3. Reinsurance ceded .....	.0									
2.4. Net .....	75,957,017	59,850,819	.0	.0	.0	2,614,850	13,491,348	.0	.0	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	15,081,430	13,696,506				1,384,924				
3.2. Reinsurance assumed .....	.0									
3.3. Reinsurance ceded .....	.0									
3.4. Net .....	15,081,430	13,696,506	.0	.0	.0	1,384,924	.0	.0	.0	.0
4. TOTALS:										
4.1. Direct .....	123,571,222	99,181,734	.0	.0	.0	5,119,728	19,269,760	.0	.0	.0
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net .....	123,571,222	99,181,734	0	0	0	5,119,728	19,269,760	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	54,987,435	1,022,723,115	13,250,335	85,931,399	68,237,770	94,368,576
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan .....	4,093,903	88,685,322	603,829	4,515,899	4,697,732	4,957,789
6. Title XVIII - Medicare .....	10,498,352	433,644,524	1,084,050	18,185,710	11,582,402	16,069,929
7. Title XIX - Medicaid.....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	69,579,690	1,545,052,961	14,938,214	108,633,008	84,517,904	115,396,294
10. Healthcare receivables (a).....					.0	.0
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....	1,828,689	1,851,093	366,544	5,827,716	2,195,233	5,398,310
13. Totals (Lines 9-10+11+12)	71,408,379	1,546,904,054	15,304,758	114,460,724	86,713,137	120,794,604

(a) Excludes \$ .....0 loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,315,350	1,172,811	0	0	
2. 2007.....	1,077,727	1,145,094	1,143,888	1,143,888	1,143,888
3. 2008.....	XXX	1,099,455	1,174,785	1,173,613	1,173,613
4. 2009.....	XXX	XXX	1,052,619	1,116,273	1,116,013
5. 2010.....	XXX	XXX	XXX	1,023,246	1,080,323
6. 2011.....	XXX	XXX	XXX	XXX	1,024,574

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,323,054	1,172,804			
2. 2007.....	1,172,577	1,161,177	1,148,398	1,148,398	1,148,398
3. 2008.....	XXX	1,184,401	1,181,281	1,177,988	1,177,988
4. 2009.....	XXX	XXX	1,140,817	1,121,019	1,120,470
5. 2010.....	XXX	XXX	XXX	1,113,892	1,089,482
6. 2011.....	XXX	XXX	XXX	XXX	1,116,333

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2007.....	1,270,271	1,143,888	11,486	1.0	1,155,373	91.0			1,155,373	91.0
2. 2008.....	1,285,732	1,173,613	11,175	1.0	1,184,788	92.1			1,184,788	92.1
3. 2009.....	1,234,753	1,116,013	8,112	0.7	1,124,125	91.0	4,457	0	1,128,582	91.4
4. 2010.....	1,177,994	1,080,323	16,131	1.5	1,096,454	93.1	9,159	49	1,105,663	93.9
5. 2011.....	1,207,138	1,024,574	13,999	1.4	1,038,573	86.0	91,759	886	1,131,218	93.7

Pt 2C - Sn A - Paid Claims - MS

NONE

Pt 2C - Sn A - Paid Claims - DO

NONE

Pt 2C - Sn A - Paid Claims - VO

NONE

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	164,407	92,327	0	0	
2. 2007.....	83,711	88,244	88,160	88,160	88,160
3. 2008.....	XXX	83,228	88,481	88,396	88,396
4. 2009.....	XXX	XXX	89,412	94,023	94,003
5. 2010.....	XXX	XXX	XXX	91,173	95,286
6. 2011.....	XXX	XXX	XXX	XXX	88,685

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	164,766	92,328			
2. 2007.....	88,206	88,841	88,464	88,464	88,464
3. 2008.....	XXX	86,621	88,647	88,704	88,704
4. 2009.....	XXX	XXX	93,370	94,157	94,311
5. 2010.....	XXX	XXX	XXX	95,689	95,582
6. 2011.....	XXX	XXX	XXX	XXX	93,201

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2007.....	89,502	88,160	872	1.0	89,033	99.5			89,033	99.5
2. 2008.....	86,986	88,396	874	1.0	89,271	102.6			89,271	102.6
3. 2009.....	95,141	94,003	674	0.7	94,677	99.5	308	0	94,985	99.8
4. 2010.....	105,607	95,286	1,271	1.3	96,557	91.4	296	2	96,854	91.7
5. 2011.....	101,999	88,685	851	1.0	89,537	87.8	4,516	43	94,096	92.3

ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	342,602	191,052	0	0	
2. 2007.....	221,772	225,711	225,624	225,624	225,624
3. 2008.....	XXX	258,051	263,471	263,343	263,343
4. 2009.....	XXX	XXX	356,811	363,753	363,703
5. 2010.....	XXX	XXX	XXX	399,798	410,346
6. 2011.....	XXX	XXX	XXX	XXX	433,645

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	342,825	191,055			
2. 2007.....	225,957	225,901	225,931	225,931	225,931
3. 2008.....	XXX	265,294	263,511	263,803	263,803
4. 2009.....	XXX	XXX	369,853	363,902	364,465
5. 2010.....	XXX	XXX	XXX	415,259	410,668
6. 2011.....	XXX	XXX	XXX	XXX	451,830

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2007.....	251,751	225,624	2,392	1.1	228,016	90.6			228,016	90.6
2. 2008.....	282,398	263,343	2,955	1.1	266,298	94.3			266,298	94.3
3. 2009.....	388,182	363,703	2,567	0.7	366,270	94.4	762	0	367,032	94.6
4. 2010.....	449,642	410,346	5,294	1.3	415,640	92.4	322	4	415,966	92.5
5. 2011.....	482,197	433,645	5,703	1.3	439,348	91.1	18,186	167	457,701	94.9

Pt 2C - Sn A - Paid Claims - XI

NONE

Pt 2C - Sn A - Paid Claims - OT

NONE



ANNUAL STATEMENT FOR THE YEAR 2011 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,822,358	1,456,190	0	0	0
2. 2007.....	1,383,210	1,459,049	1,457,672	1,457,672	1,457,672
3. 2008.....	XXX	1,440,734	1,526,737	1,525,352	1,525,352
4. 2009.....	XXX	XXX	1,498,842	1,574,049	1,573,719
5. 2010.....	XXX	XXX	XXX	1,514,217	1,585,955
6. 2011.....	XXX	XXX	XXX	XXX	1,546,904

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2007	2 2008	3 2009	4 2010	5 2011
1. Prior .....	2,830,716	1,456,187	0	0	0
2. 2007.....	1,486,740	1,475,920	1,462,793	1,462,793	1,462,793
3. 2008.....	XXX	1,536,315	1,533,440	1,530,494	1,530,494
4. 2009.....	XXX	XXX	1,604,040	1,579,078	1,579,247
5. 2010.....	XXX	XXX	XXX	1,624,840	1,595,732
6. 2011.....	XXX	XXX	XXX	XXX	1,661,365

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2+3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2007.....	1,611,525	1,457,672	14,750	1.0	1,472,422	91.4	0	0	1,472,422	91.4
2. 2008.....	1,655,116	1,525,352	15,004	1.0	1,540,356	93.1	0	0	1,540,356	93.1
3. 2009.....	1,718,076	1,573,719	11,353	0.7	1,585,072	92.3	5,528	0	1,590,599	92.6
4. 2010.....	1,733,243	1,585,955	22,696	1.4	1,608,651	92.8	9,777	55	1,618,483	93.4
5. 2011.....	1,791,334	1,546,904	20,554	1.3	1,567,458	87.5	114,461	1,096	1,683,015	94.0

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - XI

NONE

Pt 2C - Sn B - Incurred Claims - OT

NONE

Part 2C - Sn C - Claims Expense Ratio MS

NONE

Part 2C - Sn C - Claims Expense Ratio DO

NONE

Part 2C - Sn C - Claims Expense Ratio VO

NONE

Part 2C - Sn C - Claims Expense Ratio XI

NONE

Part 2C - Sn C - Claims Expense Ratio OT

NONE

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... for investment income).....	270,003						270,003		
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	270,003	.0	.0	.0	.0	.0	270,003	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	270,003	0	0	0	0	0	270,003	0	0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ .....for occupancy of own building).....	92,448	210,330	1,642,803		1,945,581
2. Salaries, wages and other benefits.....	10,757,929	3,980,784	54,026,378		68,765,091
3. Commissions (less \$ .....ceded plus \$ .....assumed).....			7,877,922		7,877,922
4. Legal fees and expenses.....			487,487		487,487
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	90,820		6,706,090		6,796,910
7. Traveling expenses.....	28,273	13,541	435,439		477,253
8. Marketing and advertising.....	725,676	4,973	13,010,443		13,741,091
9. Postage, express and telephone.....	62,870	129,806	3,953,158		4,145,833
10. Printing and office supplies.....	7,651		244,997		252,647
11. Occupancy, depreciation and amortization.....	17,134	51,887	516,340		585,361
12. Equipment.....			233,635		233,635
13. Cost or depreciation of EDP equipment and software.....	358,253	1,090,317	8,940,670		10,389,240
14. Outsourced services including EDP, claims, and other services.....	2,200,751	2,528,103	19,705,979		24,434,832
15. Boards, bureaus and association fees.....			335,579		335,579
16. Insurance, except on real estate.....			250,096		250,096
17. Collection and bank service charges.....			647,940		647,940
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....			51,839		51,839
22. Real estate taxes.....			25,646		25,646
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....	583		314,576		315,160
23.4 Payroll taxes.....	665,400	265,941	2,949,314		3,880,655
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	11,523	561	1,707,494	0	1,719,578
26. Total expenses incurred (Lines 1 to 25).....	15,019,309	8,276,243	124,063,824	0 (a) .....	147,359,377
27. Less expenses unpaid December 31, current year .....		1,151,572	26,878,887		28,030,459
28. Add expenses unpaid December 31, prior year .....	0	927,229	21,914,917	0	22,842,146
29. Amounts receivable relating to uninsured plans, prior year .....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year .....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	15,019,309	8,051,900	119,099,855	0	142,171,064
DETAILS OF WRITE-INS					
2501. Miscellaneous.....	11,523	561	1,707,494		1,719,578
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	11,523	561	1,707,494	0	1,719,578

(a) Includes management fees of \$ .....3,827,881 to affiliates and \$ .....to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....586,253	.....722,192
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....1,629,844	.....1,761,423
1.3	Bonds of affiliates .....	(a).....0	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....0	.....
2.11	Preferred stocks of affiliates .....	(b).....0	.....
2.2	Common stocks (unaffiliated) .....	.....4,030,869	.....4,017,345
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e).....159,533	.....129,431
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....35,184	.....26,108
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	6,441,682	6,656,499
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....3,590
14.	Depreciation on real estate and other invested assets .....		(i).....521,833
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....525,424
17.	Net investment income (Line 10 minus Line 16) .....		6,131,075
DETAILS OF WRITE-INS			
0901.	.....		.....
0902.	.....		.....
0903.	.....		.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) .....	0	0
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15 above) .....		0

(a) Includes \$ .....135,888 accrual of discount less \$ .....1,417,666 amortization of premium and less \$ .....670,320 paid for accrued interest on purchases.  
(b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ .....0 paid for accrued dividends on purchases.  
(c) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ ..... paid for accrued interest on purchases.  
(d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.  
(e) Includes \$ .....18,567 accrual of discount less \$ .....66,814 amortization of premium and less \$ .....38,910 paid for accrued interest on purchases.  
(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.  
(g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
(h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.  
(i) Includes \$ ..... depreciation on real estate and \$ ..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	724,213		724,213	1,951	
1.1	Bonds exempt from U.S. tax .....			0		
1.2	Other bonds (unaffiliated) .....	212,388	19,458	231,847	57,831	112,612
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	5,956	0	5,956	1,800,294	0
2.21	Common stocks of affiliates .....	0	0	0	4,534,073	0
3.	Mortgage loans .....	0	0	0	0	0
4.	Real estate .....	0	0	0		0
5.	Contract loans .....			0		
6.	Cash, cash equivalents and short-term investments .....	19,421		19,421	0	(1,560)
7.	Derivative instruments .....	(120,559)		(120,559)	(134,811)	
8.	Other invested assets .....	0	0	0	(22,618)	0
9.	Aggregate write-ins for capital gains (losses) .....	(11,563)	0	(11,563)	(9,302)	0
10.	Total capital gains (losses) .....	829,857	19,458	849,316	6,227,419	111,053
DETAILS OF WRITE-INS						
0901.	Rabbi Trust and Deferred Compensation .....	(11,563)		(11,563)	(9,302)	
0902.	.....			0		
0903.	.....			0		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9 above) .....	(11,563)	0	(11,563)	(9,302)	0



EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	42,358,376	0	(42,358,376)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	2,907,765	2,418,462	(489,303)
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans .....	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA) .....	0	0	0
9. Receivables for securities .....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	45,266,141	2,418,462	(42,847,679)
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued .....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	0	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due. ....	0	0	0
15.3 Accrued retrospective premiums.....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0
17. Amounts receivable relating to uninsured plans .....	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
18.2 Net deferred tax asset.....	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0
20. Electronic data processing equipment and software.....	24,795,550	11,685,536	(13,110,014)
21. Furniture and equipment, including health care delivery assets.....	555,480	534,230	(21,249)
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	0	0	0
24. Health care and other amounts receivable.....	0	0	0
25. Aggregate write-ins for other than invested assets .....	2,764,889	5,518,021	2,753,132
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	73,382,059	20,156,249	(53,225,810)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	73,382,059	20,156,249	(53,225,810)
DETAILS OF WRITE-INS			
1101. ....	0	0	0
1102. ....	0	0	0
1103. ....	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501. Goodwill.....	0	2,796,212	2,796,212
2502. Prepaid Expense.....	2,684,269	2,721,809	37,540
2503. ....	80,620	0	(80,620)
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	2,764,889	5,518,021	2,753,132

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	342,635	332,964	331,596	331,552	331,214	3,985,522
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	342,635	332,964	331,596	331,552	331,214	3,985,522
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan(the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual(NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that these accounting practices, procedures and reporting standards are not modified by accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Regulation (OFIR).

OFIR recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining the financial condition and results of operation of an insurance company. The *NAPPM* has been adopted as a component of prescribed or permitted practices by OFIR.

- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with accounting practices prescribed or permitted by OFIR require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory basis financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.

In addition, the Corporation uses the following accounting policies:

- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
- (2) Bonds not backed by other loans - are stated at amortized cost or the lower of fair value or amortized cost based on the NAIC designation of the underlying security.
- (3) Common stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
- (4) Preferred Stocks - NOT APPLICABLE.
- (5) Mortgage Loans - NOT APPLICABLE.
- (6) Loan-Backed Securities - loan backed securities are stated at amortized cost or the lower of amortized cost or fair value based on the NAIC designation of the underlying security. The retrospective method is used to value all securities.
- (7) The Corporation's subsidiaries are included in the statements of admitted assets, liabilities, and capital and surplus based upon the audited statutory equity or the audited U.S. GAAP equity of the related subsidiary. The Corporation's proportionate share of undistributed earnings is included in unrealized gains and losses.
- (8) The Corporation has no investments in joint ventures, partnerships and limited liability companies.
- (9) Derivatives are stated at fair value.
- (10) The Corporation anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts. As of December 31, 2011, the Corporation is not required to report a premium deficiency reserve.
- (11) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
- (12) The Corporation has not modified its capitalization policy from the prior year.
- (13) The Corporation's pharmaceutical rebate receivables are calculated using historical rebate trends and membership.

### 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERROR

- A. Material changes in accounting principles and/or correction of errors - NOT APPLICABLE.

### 3. BUSINESS COMBINATIONS AND GOODWILL

#### A. Statutory Purchase Method

The Company purchased a 100% interest of Midwest Health Plan on November 1, 2011. Midwest Health Plan is a health maintenance organization serving Medicaid and Medicare enrollees in Southeast Michigan. The transaction was accounted for as a statutory purchase in accordance with SSAP No. 68, Business Combinations and Goodwill. Under the terms of the Purchase Agreement, the Corporation agreed to an initial purchase price of \$79.6 million. The Corporation borrowed approximately \$50 million on a letter of credit to fund a portion of the purchase price. An allocation of the initial purchase price to goodwill of \$60.5 million has been made.

The Company purchased a majority interest (66% ownership) on June 17, 2011 of a third party administrator (TPA), Administration Systems Research Corporation (ASR) and a 100% interest in Physicians Care Health Plans LLC, a

NOTES TO FINANCIAL STATEMENTS

utilization management services company, for an initial purchase price of \$12.6 million. This transaction resulted in a \$12.3 million allocation of the initial purchase price to goodwill.

B. Statutory Merger - NOT APPLICABLE.

C. Assumption Reinsurance - NOT APPLICABLE.

D. Impairment Loss - NOT APPLICABLE.

4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

5. INVESTMENTS

A. Mortgage Loans, including Mezzanine Real Estate Loans - NOT APPLICABLE.

B. Debt Restructurings - NOT APPLICABLE.

C. Reverse Mortgages - NOT APPLICABLE.

D. Loan-Backed Securities

(1) Sources used to determine prepayment assumptions:  
Prepayment assumptions for loan-backed and asset backed securities are obtained from broker dealer survey values. A change from the retrospective to the prospective method has not been made.

(2) - (3) Loan-backed securities with a recognized other-than-temporary impairment:  
The Corporation has not deemed it necessary to recognize any other than temporary impairments in its earnings as a realized loss in relation to its loan-backed securities.

(4) Loan-backed securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss:

- a. The aggregate amount of unrealized losses:
  - 1. Less than 12 months \$578,000.
  - 2. 12 Months or longer \$ 56,000.
- b. The aggregate related fair value of securities with unrealized losses:
  - 1. Less than 12 months \$34,652,000.
  - 2. 12 Months or longer \$ 3,013,000.

(5) In considering whether an investment is other-than-temporarily impaired, management considers its ability and intent to hold the investment., the severity of the decline in fair value and the duration of the impairment, among other factors. Management has determined that it has the ability and intent to hold indefinitely its investment in its loan-backed securities and that the severity and duration of any impairments are insufficient to indicate an other-than-temporary impairment.

E. Repurchase Agreements and/or Securities Lending Transactions

As of December 31, 2011, the Corporation does not own any repurchase agreements. However, the Corporation has entered into repurchase agreements during the course of the year. Its repurchase agreements with banks and brokers are collateralized by cash or securities equal to at least 102% of the market value of the repurchase agreement. Eligible collateral includes cash, U.S. Treasury securities, U.S. Government agency securities and high grade commercial paper. Collateral is placed with a trustee bank.

The Corporation does not enter into securities lending transactions.

F. Real Estate - the Corporation has not recognized an impairment loss on its investments in real estate and has not sold or classified real estate investments as held for sale.

G. Investments in Low-Income Housing Tax Credits - NOT APPLICABLE.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. The Corporation has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. The Corporation did not recognize any impairment write down for investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7. INVESTMENT INCOME

The Corporation had no excluded investment income.

## NOTES TO FINANCIAL STATEMENTS

### 8. DERIVATIVE INSTRUMENTS

A-B. HAP uses futures to hedge the aggregate interest rate risk in its fixed-income investment portfolio. HAP has entered into exchange-traded securities futures whereby it has agreed to both deliver and receive U.S. Treasury Notes at a specified date. Cash requirements include the payment of an initial margin at the commencement of a contract and daily settlement based on fluctuations in the variation margin. Futures contracts are traded on a regulated exchange with positions marked-to-market daily. Therefore, HAP has little exposure to credit-related losses.

HAP uses options on swap agreements ("swaptions") to generate income in its fixed-income investment portfolio. Swaptions are traded over-the-counter and are, therefore, subject to counterparty risk. Counterparty risk is mitigated through the selection of creditworthy counterparties. HAP has entered into swaption agreements whereby it has sold to various counterparties the option to enter into an interest rate swap agreement in exchange for an up-front cash payment. The swap agreement, if initiated under the option, calls for HAP to receive a fixed rate of interest from the counterparty and pay a variable rate based on LIBOR.

C. HAP has not deemed the hedges entered into as of December 31, 2011 as highly effective hedges and therefore its hedges are not eligible for the special hedge accounting. HAP's futures contracts are recorded as an asset equal to the fair value of the contract at its inception. Changes in fair value, or variation margin, are recorded as realized gains or losses. HAP's swaption contracts are recorded as a liability equal to the fair value of the contract at its inception, which is also the cost of the contract. Realized gains and losses are recognized in earnings and unrealized gains or losses are charged to the capital and surplus account.

D. HAP does not have any net gain or loss recognized in unrealized gains or losses excluded from the assessment of hedge effectiveness.

E. The net gain or loss recognized in unrealized gains or losses resulting from futures and swaption contracts that no longer qualify for hedge accounting - not applicable.

F. Derivatives accounted for as cash flow hedges of a forecasted transaction - not applicable.

### 9. INCOME TAXES

A. Deferred Tax Assets or Deferred Tax Liabilities - NOT APPLICABLE.

B. Unrecognized Deferred Tax Liabilities - NOT APPLICABLE.

C. Components of Income Tax Incurred - NOT APPLICABLE.

D. Significant Book to Tax Adjustments - NOT APPLICABLE.

E. Operating Loss and Tax Credit Carryforwards - NOT APPLICABLE.

F. Consolidated Federal Tax Returns - NOT APPLICABLE.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A. The Corporation has five subsidiaries, HAP Preferred, Inc. (HPI), Alliance Health and Life Insurance Company(AHLIC), Midwest Health Plan, HAP Community Alliance, Physicians Care Health Plans and a controlling interest in ASR Corporation. The Corporation is a subsidiary of Henry Ford Health System (HFHS).

B. The Corporation has management agreements with HPI and AHLIC in which it provides various administrative and support services. The Corporation also provides claims processing and premium billing and collection services for AHLIC. HPI provides care and utilization management services to the Corporation's members.

C. The Corporation received subscription revenue from related parties totaling approximately \$172,557,000 and \$155,201,000 in 2011 and 2010, respectively. The Corporation purchased healthcare and administrative services from related parties totaling approximately \$654,568,000 and \$638,692,000 in 2011 and 2010, respectively.

D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$871,000, and \$2,176,000 from HPI and AHLIC respectively and intercompany payables of \$184,000, \$362,000 and \$1,036,000 due to HPI, HFHS and AHLIC, respectively. The terms of the settlement require that these amounts be settled within 15 days.

E. As a member of the Henry Ford Health System Obligated Group(the Obligated Group), the Corporation is jointly and severally liable with the other members of the Obligated Group for outstanding obligations issued under the master indenture. The Obligated Group has no guarantees outstanding for the indebtedness of other entities.

F. The Corporation has management agreements with HPI and AHLIC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to AHLIC

NOTES TO FINANCIAL STATEMENTS

and HPI totaled approximately \$23,205,000 and \$17,951,000 in 2011 and 2010, respectively. Included in the statement of admitted assets, liabilities and capital and surplus are payables associated with healthcare services purchased from related parties totaling approximately \$3,055,000 and \$1,173,000 in 2011 and 2010, respectively.

- G. Common Ownership or Control - The Corporation and its subsidiaries and affiliates are not subject to common ownership or control whereby their operating results or financial position would be significantly different from those if the entities were autonomous.
- H. Ownership in an Upstream Affiliate or Parent - NOT APPLICABLE.
- I. Investments in SCA Entities Exceeding 10% of Admitted Assets - NOT APPLICABLE.
- J. Investments in Impaired SCA Entities - NOT APPLICABLE.
- K. Investments in Foreign Insurance Subsidiaries - NOT APPLICABLE.
- L. Investment in Downstream Noninsurance Holding Company - NOT APPLICABLE.

11. DEBT

- A. Debt, including Capital Notes and Reverse Repurchase Agreements

The Corporation has a Promissory Note outstanding in the amount of \$50 million due to Henry Ford Health System, its Parent Company. The Promissory Note was issued December 1, 2011 with principal and interest payments due monthly through November 1, 2021. Interest accrues at LIBOR plus 65 basis points. Early repayment may be made at the option of the Corporation. Interest of \$38,000 is accrued as of December 31, 2011.

The Corporation has no reverse repurchase agreements outstanding.

- B. FHLB (Federal Home Loan Bank) Agreements - NOT APPLICABLE.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT PLANS

- A. The Corporation has a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974.

The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

The Corporation provides postretirement healthcare and life insurance benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of a fixed dollar subsidy.

A summary of the changes in benefit obligations for the Pension and Other Postretirement Benefit Plans at December 31, 2010 and 2009 are as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(1) Change in benefit obligation				
a. Benefit obligation at beginning of year	\$77,512	\$ 67,892	\$ 1,121	\$ 915
b. Service cost	4,517	3,897	87	72
c. Interest cost	3,598	3,714	54	50
d. Actuarial gain (loss)	8,391	4,559	18	150
e. Benefits paid	(5,536)	(2,360)	(78)	(66)
f. Plan amendments	(11,817)		-	-
g. Other	<u>(268)</u>	<u>(190)</u>	<u>21</u>	
h. Benefit Obligation at end of year	<u>\$76,397</u>	<u>\$ 77,512</u>	<u>\$1,223</u>	<u>\$ 1,121</u>
	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(2) Change in Plan assets				
a. Fair value of plan assets at beginning of year	\$51,867	\$ 43,581	\$ -	\$ -
b. Actual return on plan assets	(602)	6,030	-	-
c. Employer contribution	5,080	4,806	78	66
d. Benefits paid	(5,536)	(2,360)	(78)	(66)
e. Other	<u>(268)</u>	<u>(190)</u>		
Fair value of Plan assets at end of year	<u>\$ 50,541</u>	<u>\$ 51,867</u>	<u>-</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(3) Funded status				
a. Unamortized prior service cost	(12,213)	(457)	(7)	(14)
b. Unrecognized net gain or (loss)	29,414	17,350	246	262
c. Remaining net obligation or net asset at initial date of application	7,085	7,688	(163)	(177)
d. Prepaid assets or accrued liabilities	-	-	-	-
e. Intangible asset	-	-	-	-
d. Other	-	-	-	-
(4) Accumulated benefit obligation for vested employees and partially vested employees to the extent vested	\$73,093	\$61,686	1,223	1,121

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(5) Benefit obligation for non-vested employees				
a. Projected pension obligation	\$ 382	\$ 1,034	\$ 207	\$ 206
b. Accumulated benefit obligation	382	1,034	207	206

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(6) Components of net periodic benefit cost				
a. Service cost	\$ 4,516	\$ 3,897	\$ 87	\$ 72
b. Interest cost	3,598	3,714	54	50
c. Expected return on plan assets	(3,953)	(3,582)	-	-
d. Amortization of unrecognized transition obligation or transition asset	1,424	1,372	(34)	(15)
e. Amount of recognized gains and losses	-	-	-	-
f. Amount of prior service cost recognized	-	-	-	-
g. Amount of gain or loss recognized due to a settlement or curtailment	-	-	-	-
h. Total net periodic benefit cost	<u>\$ 5,585</u>	<u>\$ 5,401</u>	<u>\$ 175</u>	<u>\$ 107</u>

(7) (\$20,902,000) arising from a change in the additional minimum pension liability recognized is included in unassigned funds.

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2011	2010	2011	2010
(8) Weighted -average assumptions used to determine net periodic benefit cost as of Dec 31:				
a. Weighted average discount rate	4.95 %	5.70 %	4.95 %	5.70 %
b. Expected long-term rate of return on plan assets	8.00%	8.50%	N/A	N/A
c. Rate of compensation increase	Age-Related Salary Scale	Age-Related Salary Scale	N/A	N/A
Weighted average assumptions used to determine projected benefit obligations as of Dec 31:				
a. Weighted average discount rate	4.30%	4.95%	4.30%	4.95%
b. Rate of compensation increase	Age-Related Salary Scale	Age-Related Salary Scale	N/A	N/A

(9) A measurement date of December 31, 2010 was used to determine the above.

(10) Significant assumptions used in valuing the postretirement health care obligations at December 31, 2010 and 2009 include:

	2011	2010
Medical inflation rate	varies then scaled to 5% over twenty two years	varies then scaled to 5% over twenty two years
Pharmaceutical inflation rate	9.90% then scaled to 5% over twenty two years	10% then scaled to 5% over twenty two years

(11) A 1.0% increase in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation by .923% and increase the net periodic cost by .197%. A 1.0% decrease in the assumed medical rate of inflation would decrease the accumulated postretirement benefit obligation by .813% and decrease the net periodic cost by .127%.

NOTES TO FINANCIAL STATEMENTS

(12) The Corporation invests the majority of the assets of the Plan in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. The targeted allocation percentages are 45% Stock and stock funds, 25% Bonds and bond funds, 15% global investments, and 15% alternative investments. The percentage of the fair value of total plan assets held as of December 31, the measurement date, is shown below.

	2011	2010
Cash and cash equivalents	2 %	1 %
Global asset allocation	27	15
Stock and stock funds	48	48
Bonds and bond funds	19	27
Other	<u>4</u>	<u>9</u>
Total	<u>100 %</u>	<u>100 %</u>

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering both historical experience and the current economic environment. The expected returns of various asset categories are blended to derive one long-term assumption.

(13) The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

	Pension Benefits	Postretirement Benefits	Annual Subsidy
2012	\$ 5,240,000	\$ 80,000	\$ 20,000
2013	5,550,000	80,000	20,000
2014	6,090,000	80,000	30,000
2015	5,260,000	80,000	30,000
2016	5,480,000	80,000	30,000
Years 2017 through 2021	30,460,000	470,000	170,000

The Corporation is expected to make a contribution to the Plan during 2012 in the amount of \$7,947,000.

The Corporation is expected to make a \$80,000 contribution to the postretirement health care plan in 2012.

B. Defined Contribution Plan

Substantially all employees who have completed a stipulated number of months of continuous service can elect to participate in a 401(k) savings plan sponsored by the Corporation. Employees can elect to contribute to the plan and the Corporation matches a portion of the employees contributions. The Corporation's contributions were \$695,000 and \$486,000 in 2011 and 2010, respectively.

C. Multi-employer Plans - NOT APPLICABLE.

D. Consolidated/Holding Company Plans - NOT APPLICABLE.

E. Postemployment Benefits and Compensated Absences - NOT APPLICABLE.

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - NOT APPLICABLE.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

(1) Capital Stock - NOT APPLICABLE.

(2) Preferred Stock - NOT APPLICABLE.

(3) Dividend Restrictions - the Corporation may not pay out a dividend without the prior written approval its domiciliary commissioner. Dividends are limited by the laws of the Corporation's state of incorporation, Michigan, to amounts that are based on restrictions relating to minimum capital and surplus requirements.

(4) The Corporation has not paid a dividend in 2011.

(5) Dividend Restrictions Based on Profits - within the restrictions of (3) above, there are no restrictions placed the amount of profits that may be paid out as dividends.

(6) Restrictions on Unassigned Funds (Surplus) - NOT APPLICABLE.

(7) Advances to Surplus not Repaid - NOT APPLICABLE.



NOTES TO FINANCIAL STATEMENTS

- (8) Stock Held for Special Purposes - NOT APPLICABLE.
- (9) Changes in Special Surplus Funds - NOT APPLICABLE.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$11,057,000.
- (11) Surplus Notes - NOT APPLICABLE.
- (12) Impact of a Restatement Due to a Quasi-Reorganization - NOT APPLICABLE.
- (13) The Effective Date(s) of a Quasi-Reorganization for the Prior Ten Years - NOT APPLICABLE.

14. CONTINGENCIES

A. Contingent Commitments

The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated Group). As of December 31, 2011, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$862,371,000 issued under the master indenture. The Obligated Group has guaranteed \$0 in indebtedness of other entities.

B. Assessments - NOT APPLICABLE.

C. Gain Contingencies - NOT APPLICABLE.

D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits - NOT APPLICABLE.

E. All Other Contingencies - The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

**Risk Adjustment Data Validation Audits (“RADV audits”).** CMS adjusts capitation payments to Medicare Advantage and Medicare Part D plans according to the predicted health status of each beneficiary, as supported by data provided by health care providers. The Company collects claim and encounter data from providers, who the Company generally relies on to appropriately code their claim submissions and document their medical records. CMS then determines the risk score and payment amount for each enrolled member based on the health care data submitted by the Company and member demographic information.

CMS performs RADV audits of selected Medicare Advantage health plans each year to validate the coding practices of and supporting documentation maintained by health care providers. These audits involve a review of medical records maintained by providers and may result in retrospective adjustments to payments made to health plans. To date, the Company has not been selected for audit by CMS. Payment years open for audit include 2007 to 2010.

In December 2010, CMS published for public comment a new proposed RADV audit and payment adjustment methodology. The proposed methodology contains provisions allowing retroactive contract level payment adjustments for the year audited using an extrapolation of the “error rate” identified in audit samples. CMS also indicated that it anticipated the final methodology would be issued in the near future. Depending on the methodology utilized, potential payment adjustments could have a material adverse effect on the Company’s results of operations, financial position and cash flows.

15. LEASES

A. Lessee Operating Lease

- (1)
  - a.The Corporation leases office facilities and equipment under various noncancelable operating lease agreements that expire through December 2024. Rental expense for 2011 and 2010 was approximately \$1,260,000 and \$1,108,000 , respectively.
  - b. Certain rental commitments have renewal options extending through the year 2013. Some of these renewals are subject to adjustments in future periods.

(2) At January 1, 2012, the minimum aggregate rental commitments are as follows (dollars in thousands):  
Year Ending December 31

1. 2012	\$1,802,000
2. 2013	1,026,000
3. 2014	228,000
4. 2015	60,000
5. 2016	60,000
6. Total	<u>\$ 3,176,000</u>

NOTES TO FINANCIAL STATEMENTS

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,260,000 and \$1,108,000 for the years ended December 31, 2011 and 2010, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

(3) Material Sales - Leaseback Transactions - NOT APPLICABLE.

C. Leveraged Leases - NOT APPLICABLE.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

HAP uses futures contracts to hedge the aggregate interest rate in its fixed-income investment portfolio. HAP has entered into exchange-traded securities futures whereby it has agreed to both deliver and receive U.S.Treasury securities at a specified date. Other than payment of an initial margin, no cash is exchanged at the outset of the contract and neither party makes principal payments. These transactions are entered into pursuant to a master agreement that provides for the payment of variation margin on a daily basis.

Under exchange-traded securities futures, HAP agrees to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of the contracts. The parties with whom HAP enters into exchange-traded futures are regulated futures commissions merchants who are members of a trading exchange.

HAP uses swaptions to generate income in its fixed-income investment portfolio. HAP has entered into over-the-counter swaption agreements in which it received initial cash payments in exchange for providing the counterparties with the option to enter into interest rate swaps under terms specified in the option contracts. HAP enters into collateral exchange agreements with its counterparties in which either party must post collateral if it is the liable party and the amount owed to close out the contract (i.e. the market value of the swaption is \$250,000 or greater). Collateral must be either cash or high-quality, readily marketable bonds and is posted in increments of \$250,000. Should the counterparty exercise the option, cash flows would occur based on the terms of the swap.

HAP is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. Because exchange-traded futures are affected through a regulated exchange and positions are marked to market on a daily basis, HAP has little exposure to credited-related losses in the event of nonperformance by counterparties to its futures contracts. The credit exposure of exchange-traded instruments is represented by the negative change, if any, in the market value of contracts from the market value at the reporting date.

HAP is required to put up initial margin for any futures contracts that are entered into. The amount that is required is determined by the exchange on which it is traded. Maintenance margin may be required. HAP currently puts up cash to satisfy this initial margin requirement. As of December 31, 2011, HAP has posted initial margin of \$18,000 and has a receivable for variation margin of \$3,500.

The current exposure of HAP's futures contracts is limited to the market value at the reporting date. Credit risk is managed by entering into transactions with creditworthy counterparties. HAP's investment managers also attempt to minimize exposure to credit risk through the use of various credit monitoring methods. HAP has entered into futures contracts with investment grade counterparties.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A. Transfers of Receivables Reported as Sales - NOT APPLICABLE.

B. Transfer and Servicing of Financial Assets - NOT APPLICABLE.

C. Wash Sales - NOT APPLICABLE.

18. GAIN OR LOSS TO THE ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans - NOT APPLICABLE.

B. ASC Plans - NOT APPLICABLE.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

(1) Revenue from the Corporation's Medicare Part D cost based reimbursement portion of its CMS contract consisted of \$3,490,000 and \$2,490,000 for the reinsurance subsidy and \$2,674,000 and \$2,323,000 for the low-income cost sharing subsidy for the years 2011 and 2010, respectively.

(2) As of December 31, 2011 and 2010, respectively, the Corporation had recorded receivables from the following payors whose balances are greater than 10% of the Corporation's amounts receivable from uninsured accident and health plans or \$10,000:

	<u>2011</u>	<u>2010</u>
Centers for Medicare and Medicaid Services (CMS)	\$475,000	\$378,000

NOTES TO FINANCIAL STATEMENTS

(3) Allowances and Reserves for Adjustment of Recorded Revenues - NOT APPLICABLE.

(4) The Corporation has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

NOT APPLICABLE.

20. FAIR VALUE MEASUREMENT

A.

(1) Fair Value Measurements at Reporting Date

(1) Description	(2) (Level 1)	(3) (Level 2)	(4) (Level 3)	(5) Total
a. Assets at fair value				
Bonds:				
U.S. Governments	\$106,352,000		\$	\$106,352,000
Industrial and Misc	3,000			3,000
Total Bonds	\$106,355,000	\$	\$	\$ 106,355,000
Common Stock:				
Industrial and Misc	\$ 2,636,000	\$ 82,237,000	\$	\$ 84,873,000
Other Equity Securities	\$ 1,322,000			\$ 1,322,000
Total Common Stocks	\$ 3,958,000	\$ 82,237,000	\$	\$ 86,195,000
Derivative Assets:				
Futures Contracts	\$	\$ 21,000	\$	\$ 21,000
Total Derivative Assets	\$	\$ 21,000	\$	\$ 21,000
Total Assets at Fair Value	\$ <u>110,313,000</u>	\$ <u>82,258,000</u>	\$ <u>                    </u>	\$ <u>192,571,000</u>
b. Liabilities at fair value				
Swaps and options	\$	\$ 207,000	\$	\$ 207,000
Total Liabilities at Fair Value	\$ <u>                    </u>	\$ <u>207,000</u>	\$ <u>                    </u>	\$ <u>207,000</u>

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy - Not applicable.

The fair value measurements reported by the Corporation are obtained primarily from independent pricing services and broker dealer quotes.

The Corporation's policy for recognition of transfers between levels within the fair value hierarchy is to recognize the transfer on the actual date of the event or change in circumstances that caused the transfer. The Corporation has not experienced any transfers between levels within the fair value hierarchy in 2011.

NOTES TO FINANCIAL STATEMENTS

(5) Derivative assets and liabilities

Description	Beginning Balance at 01/01/2011	Transfers	Total gains and (losses) included in Net Income	Total gains and (losses) included in Surplus	Purchases	Sales	Settlements	Ending Balance at 12/31/2011
a. Assets:								
Derivatives:								
Futures	46,000	_____	121,000		31,000	59,000	(118,000)	21,000
Total assets	46,000	_____	121,000		31,000	59,000	(118,000)	21,000
b. Liabilities								
Derivatives:								
Swaptions	124,000	_____		134,000	69,000	120,000		207,000
Total liabilities	124,000	_____		134,000	69,000	120,000		207,000

The fair value measurements reported by the Corporation are obtained primarily from independent pricing services and broker dealer quotes.

The Corporation's policy for recognition of transfers between levels within the fair value hierarchy is to recognize the transfer on the actual date of the event or change in circumstances that caused the transfer. The Corporation has not experienced any transfers between levels within the fair value hierarchy in 2011.

There were no transfers between levels for derivative assets and liabilities in 2011.

21. OTHER ITEMS

- A. Extraordinary Items - NOT APPLICABLE.
- B. Troubled Debt Restructuring - NOT APPLICABLE.
- C. Other Disclosures

Statutory Reserve: As a condition of licensure with the State of Michigan, the Corporation maintains a deposit of \$1,000,000 in a segregated account. These funds can only be used by the Corporation at the direction of the Insurance Commissioner of the State of Michigan. These funds are invested in a money market fund (stated at fair value). Interest on these funds accrues to the Corporation.

Stop Loss/Out-of-Network Reserve: During 2003, the Corporation established a trust in the amount of \$12,000,000 for the sole benefit of subscribers and enrollees, to cover catastrophic exposure for members where HAP retains risk for health care services, which exceed \$500,000 per occurrence and, in the event of insolvency, to cover services provided to members by noncontracted providers. The funds are maintained in compliance with an agreement with the Insurance Commissioner for the State of Michigan and can only be used by the Corporation at the direction of the Insurance Commissioner. The funds are invested in a money market fund (stated at fair value) and interest on these funds accrues to the Corporation.

- D. At December 31, 2011 and December 31, 2010 the Corporation had admitted assets of \$46,597,000 and \$30,991,000, respectively, in Uncollected Premiums. The Corporation routinely assesses the collectibility of these receivables. Based upon the Corporation's experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Corporation's financial condition.

The Corporation has a receivable in the amount of \$475,000 from CMS related to uninsured accident and health plans. The Corporation has no receivables for retrospectively rated contracts.

- E. Business Interruption Insurance Recoveries - NOT APPLICABLE.
- F. State Transferable Tax Credits - NOT APPLICABLE.
- G. Subprime Mortgage Related Risk Exposure - NOT APPLICABLE.

22. EVENTS SUBSEQUENT

NOT APPLICABLE.

23. REINSURANCE

- A. Ceded Reinsurance Report - NOT APPLICABLE.
- B. Uncollectible Reinsurance - NOT APPLICABLE.

NOTES TO FINANCIAL STATEMENTS

C. Commutation of Ceded Reinsurance - NOT APPLICABLE.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

- A. The Corporation estimates accrued retrospective premium adjustments related to its Medicare Advantage health insurance contracts. An estimated risk sharing receivable or payable for the CMS risk corridor provision is recognized based on activity-to-date and is accumulated at the contract level and recorded as aggregate policy reserves. Costs for prescription drugs are expensed as incurred.
- B. The Corporation records accrued retrospective premium as an adjustment to earned premium.
- C. The amount of net premiums written by the Corporation at December 31, 2011 that are subject to retrospective rating or redetermination features was \$584,196,000 million, that represented 32.6% of the total net premiums written for the Corporation. No other net premiums written by the Corporation are subject to retrospective rating features.

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Activity in the liability for claims unpaid at December 31, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Balance - January 1	\$115,396,000	\$115,707,000
Incurred related to:		
Current year	1,653,758,000	1,616,498,000
Prior year	(30,878,000)	(31,741,000)
Total incurred	<u>1,622,880,000</u>	<u>1,584,757,000</u>
Paid related to:		
Current year	1,545,125,000	1,511,245,000
Prior year	69,580,000	73,823,000
Total paid	<u>1,614,705,000</u>	<u>1,585,068,000</u>
Balance - December 31	<u>\$ 123,571,000</u>	<u>\$ 115,396,000</u>

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior years" reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

26. INTERCOMPANY POOLING ARRANGEMENTS

NOT APPLICABLE.

27. STRUCTURED SETTLEMENTS

NOT APPLICABLE.

NOTES TO FINANCIAL STATEMENTS

28. HEALTH CARE RECEIVABLES

A. Pharmaceutical Rebate Receivables (dollars in thousands)

These rebates are calculated using historical rebate trends and membership.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2011	1,488	1,493			
09/30/2011	1,451	1,579	1,364		
06/30/2011	1,447	1,460	1,174	228	
03/31/2011	1,922	1,969	1,683	78	71
12/31/2010	1,814	1,879	1,478	227	72
09/30/2010	1,799	1,930	1,279	234	221
06/30/2010	1,554	1,867	1,410	229	
03/31/2010	1,511	1,940	1,974	47	1
12/31/2009	1,690	1,946	1,241	735	42
09/30/2009	1,630	1,996	1,711	45	124
06/30/2009	1,486	1,690	1,801	156	
03/31/2009	1,481	1,623	1,759		

B. Risk Sharing Receivables - NOT APPLICABLE.

29. PARTICIPATING POLICIES

NOT APPLICABLE.

30. PREMIUM DEFICIENCY RESERVES

NOT APPLICABLE.

31. ANTICIPATED SALVAGE AND SUBROGATION

NOT APPLICABLE.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [ X ] No [ ]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [ X ] No [ ] N/A [ ]
- 1.3

State Regulating?

Michigan.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ ] No [ X ]
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2009
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2009
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....06/29/2011
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Regulation.....
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [ X ] No [ ] N/A [ ]
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [ X ] No [ ] N/A [ ]
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [ X ]

4.12 renewals? Yes [ ] No [ X ]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [ X ]

4.22 renewals? Yes [ ] No [ X ]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ] No [ X ]
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ] No [ X ]
- 6.2

If yes, give full information .....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ] No [ X ]
- 7.2

If yes,

7.21 State the percentage of foreign control .....0.0

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [ X ]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte and Touche LLP Suite 900 600 Renaissance Center Detroit Michigan 48243-1895.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
David O Thoen FSA MAAA Deloitte & Touche LLP 400 One Financial Plaza 120 S Sixth Street Minneapolis MN 55402-1844.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]

12.11 Name of real estate holding company .....

12.12 Number of parcels involved .....0

12.13 Total book/adjusted carrying value \$ .....0

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
Not applicable.....

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [ X ] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [ X ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s)

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [ X ]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).



GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers \$.0

20.12 To stockholders not officers \$.0

20.13 Trustees, supreme or grand (Fraternal only) \$.0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers \$.0

20.22 To stockholders not officers \$.0

20.23 Trustees, supreme or grand (Fraternal only) \$.0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others \$.0

21.22 Borrowed from others \$.0

21.23 Leased from others \$.0

21.24 Other \$.0
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes ☐ No ☒
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.0

22.22 Amount paid as expenses \$.0

22.23 Other amounts paid \$.0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$.971,329

INVESTMENT

- 24.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.3) Yes ☒ No ☐
- 24.2 If no, give full and complete information, relating thereto
- 24.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
Not applicable.
- 24.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ NA ☒
- 24.5 If answer to 24.4 is yes, report amount of collateral for conforming programs. \$.0
- 24.6 If answer to 24.4 is no, report amount of collateral for other programs. \$.0
- 24.7 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ NA ☒
- 24.8 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ NA ☒
- 24.9 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ NA ☒

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3). Yes [ X ] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	\$.....
25.22	Subject to reverse repurchase agreements	\$.....
25.23	Subject to dollar repurchase agreements	\$.....
25.24	Subject to reverse dollar repurchase agreements	\$.....
25.25	Pledged as collateral	\$.....
25.26	Placed under option agreements	\$.....206,805
25.27	Letter stock or securities restricted as to sale	\$.....
25.28	On deposit with state or other regulatory body	\$.....13,000,000
25.29	Other	\$.....

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ X ] No [ ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ X ] No [ ] N/A [ ]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [ X ]

27.2 If yes, state the amount thereof at December 31 of the current year: \$......

28. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Comerica Bank NA.....	Detroit Michigan.....
The Northern Trust Company.....	Chicago Illinois.....

28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Not applicable.....	.....	.....

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [ X ]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Not applicable.....	.....	.....	.....

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
not applicable.....	Brian Gamble.....	Detroit Michigan.....
104559.....	Pacific Investment Management Company...	New York New York.....
107105.....	Blackrock.....	New York New York.....
104863.....	Income Research & Management.....	Boston Massachusetts.....
801-21011.....	J.P. Morgan Investment Management Inc.	Jersey City New Jersey.....

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?
- 29.2 If yes, complete the following schedule:
- Yes [ ] No [ X ]

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
.....	.....	.....
.....	.....	.....
29.2999 TOTAL		0

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	266,686,370	267,945,395	1,259,026
30.2 Preferred Stocks.....	0	0	0
30.3 Totals	266,686,370	267,945,395	1,259,026

- 30.4 Describe the sources or methods utilized in determining the fair values:

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
- 32.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?
- 32.2 If no, list exceptions:
- Yes [ X ] No [ ]
- Yes [ X ] No [ ]
- Yes [ X ] No [ ]

GENERAL INTERROGATORIES

OTHER

- 33.1 Amount of payments to Trade associations, service organizations and statistical or rating bureaus, if any? \$ .....1,022,300
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
America's Health Insurance Plans.....	\$.....292,900

- 34.1 Amount of payments for legal expenses, if any? \$ .....598,700
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dykema Gossett PLLC.....	\$.....213,200
Honigman Miller Schwartz & Cohn.....	\$.....170,100

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Not applicable.....	\$.....0

GENERAL INTERROGATORIES  
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2 If yes, indicate premium earned on U. S. business only

\$ .....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ .....0

1.5 Indicate total incurred claims on all Medicare Supplement Insurance.

\$ .....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ .....0

1.62 Total incurred claims

\$ .....0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$ .....0

1.65 Total incurred claims

\$ .....0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ .....0

1.72 Total incurred claims

\$ .....0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$ .....0

1.75 Total incurred claims

\$ .....0

1.76 Number of covered lives

.....0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$ .....1,791,333,734	\$	.....1,733,243,460
2.2	Premium Denominator	\$ .....1,791,333,734	\$	.....1,733,243,460
2.3	Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4	Reserve Numerator	\$ .....130,035,485	\$	.....121,105,347
2.5	Reserve Denominator	\$ .....130,035,485	\$	.....121,105,347
2.6	Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ X ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [ ] No [ X ]

5.2 If no, explain:

The Company maintains a stop/loss out of network reserve in compliance with an agreement with the Insurance Commissioner of the State of Michigan

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$ .....0

5.32 Medical Only

\$ .....0

5.33 Medicare Supplement

\$ .....0

5.34 Dental and Vision

\$ .....0

5.35 Other Limited Benefit Plan

\$ .....0

5.36 Other

\$ .....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Please see attachment D

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [ X ] No [ ]

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

.....9,818

8.2 Number of providers at end of reporting year

.....10,784

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

.....0

9.22 Business with rate guarantees over 36 months

.....0

GENERAL INTERROGATORIES  
PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [ X ] No [ ]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....4,475,732

10.22 Amount actually paid for year bonuses

\$.....3,607,752

10.23 Maximum amount payable withholds

\$.....4,184,746

10.24 Amount actually paid for year withholds

\$.....3,053,479

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or,

Yes [ ] No [ X ]

11.14 A Mixed Model (combination of above) ?

Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such net worth.

Michigan.....

11.4 If yes, show the amount required.

\$.....130,544,726

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation.

The amount reported is the greater of 4% of premiums or 200% of the authorized control level risk based capital

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Arenac County.....
Bay County.....
Clare County.....
Genessee County.....
Gladwin County.....
Gratiot County.....
Huron County.....
Iosco County.....
Isabella County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Midland County.....
Monroe County.....
Oakland County.....
Ogemaw County.....
Roscommon County.....
Saginaw County.....
Sanilac County.....
St Clair County.....
Tuscola County.....
Washtenaw County.....
Wayne County.....

13.1 Do you act as a custodian for health savings accounts?

Yes [ ] No [ X ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$ .....0

13.3 Do you act as an administrator for health savings accounts?

Yes [ ] No [ X ]

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$ .....0

FIVE - YEAR HISTORICAL DATA

	1 2011	2 2010	3 2009	4 2008	5 2007
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	501,529,862	454,753,789	405,318,071	323,229,153	402,538,985
2. Total liabilities (Page 3, Line 24) .....	262,969,246	169,786,599	149,024,803	147,005,180	163,638,385
3. Statutory surplus .....	130,544,726	122,524,008	110,864,532	99,853,168	107,139,404
4. Total capital and surplus (Page 3, Line 33) .....	238,560,616	284,967,190	256,293,268	176,223,972	238,900,600
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	1,791,334,792	1,733,249,468	1,718,075,273	1,655,100,868	1,611,533,163
6. Total medical and hospital expenses (Line 18) .....	1,627,176,604	1,591,824,877	1,588,039,784	1,516,796,475	1,477,548,298
7. Claims adjustment expenses (Line 20) .....	23,295,552	22,649,210	14,544,792	15,319,452	14,380,243
8. Total administrative expenses (Line 21) .....	124,063,824	102,232,950	97,837,061	100,529,482	99,402,501
9. Net underwriting gain (loss) (Line 24) .....	16,798,811	16,542,431	17,653,637	22,455,460	20,202,121
10. Net investment gain (loss) (Line 27) .....	6,980,391	9,248,678	5,087,029	(3,128,424)	15,145,125
11. Total other income (Lines 28 plus 29) .....	0	49,738	47,926	148,929	540,896
12. Net income or (loss) (Line 32) .....	23,779,202	25,840,847	22,788,591	19,475,964	35,888,141
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11).....	31,734,391	33,949,690	26,685,354	31,578,231	62,785,348
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	238,560,616	284,967,190	256,293,268	176,223,972	239,594,959
15. Authorized control level risk-based capital.....	65,272,363	55,766,421	55,432,266	49,926,584	53,569,702
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	331,214	342,635	355,949	383,405	400,317
17. Total members months (Column 6, Line 7) .....	3,985,522	4,085,888	4,365,062	4,689,473	4,882,616
<b>Operating Percentage</b> (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	90.8	91.8	92.4	91.6	91.7
20. Cost containment expenses .....	0.8	0.8	0.4	0.4	0.4
21. Other claims adjustment expenses .....	0.5	0.5	0.4	0.5	0.4
22. Total underwriting deductions (Line 23) .....	99.1	99.0	99.0	98.6	98.7
23. Total underwriting gain (loss) (Line 24) .....	0.9	1.0	1.0	1.4	1.3
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	86,713,137	85,870,100	98,945,073	94,779,071	93,140,154
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] .....	120,794,604	117,022,946	112,450,257	111,817,594	100,063,277
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	121,394,012	25,507,267	22,897,995	14,708,107	24,289,575
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....	0	0	0	0	0
31. All other affiliated .....	743,382	0	0	292,905	275,769
32. Total of above Lines 26 to 31 .....	122,137,394	25,507,267	22,897,995	15,001,012	24,565,344

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?.....Yes [    ] No [    ]

If no, please explain:

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Consideration s	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama .....	AL	N						0	0
2. Alaska .....	AK	N						0	0
3. Arizona .....	AZ	N						0	0
4. Arkansas .....	AR	N						0	0
5. California .....	CA	N						0	0
6. Colorado .....	CO	N						0	0
7. Connecticut .....	CT	N						0	0
8. Delaware .....	DE	N						0	0
9. District of Columbia .....	DC	N						0	0
10. Florida .....	FL	N						0	0
11. Georgia .....	GA	N						0	0
12. Hawaii .....	HI	N						0	0
13. Idaho .....	ID	N						0	0
14. Illinois .....	IL	N						0	0
15. Indiana .....	IN	N						0	0
16. Iowa .....	IA	N						0	0
17. Kansas .....	KS	N						0	0
18. Kentucky .....	KY	N						0	0
19. Louisiana .....	LA	N						0	0
20. Maine .....	ME	N						0	0
21. Maryland .....	MD	N						0	0
22. Massachusetts .....	MA	N						0	0
23. Michigan .....	MI	L	1,200,846,452	482,197,035	101,998,644			1,785,042,131	0
24. Minnesota .....	MN	N						0	0
25. Mississippi .....	MS	N						0	0
26. Missouri .....	MO	N						0	0
27. Montana .....	MT	N						0	0
28. Nebraska .....	NE	N						0	0
29. Nevada .....	NV	N						0	0
30. New Hampshire .....	NH	N						0	0
31. New Jersey .....	NJ	N						0	0
32. New Mexico .....	NM	N						0	0
33. New York .....	NY	N						0	0
34. North Carolina .....	NC	N						0	0
35. North Dakota .....	ND	N						0	0
36. Ohio .....	OH	N						0	0
37. Oklahoma .....	OK	N						0	0
38. Oregon .....	OR	N						0	0
39. Pennsylvania .....	PA	N						0	0
40. Rhode Island .....	RI	N						0	0
41. South Carolina .....	SC	N						0	0
42. South Dakota .....	SD	N						0	0
43. Tennessee .....	TN	N						0	0
44. Texas .....	TX	N						0	0
45. Utah .....	UT	N						0	0
46. Vermont .....	VT	N						0	0
47. Virginia .....	VA	N						0	0
48. Washington .....	WA	N						0	0
49. West Virginia .....	WV	N						0	0
50. Wisconsin .....	WI	N						0	0
51. Wyoming .....	WY	N						0	0
52. American Samoa .....	AS	N						0	0
53. Guam .....	GU	N						0	0
54. Puerto Rico .....	PR	N						0	0
55. U.S. Virgin Islands .....	VI	N						0	0
56. Northern Mariana Islands .....	MP	N						0	0
57. Canada .....	CN	N						0	0
58. Aggregate Other Alien .....	OT	XXX	0	0	0	0	0	0	0
59. Subtotal .....	XXX		1,200,846,452	482,197,035	0	101,998,644	0	0	1,785,042,131
60. Reporting entity contributions for Employee Benefit Plans .....	XXX		6,291,602					6,291,602	
61. Total (Direct Business) .....	(a)	1	1,207,138,055	482,197,035	0	101,998,644	0	0	1,791,333,734
DETAILS OF WRITE-INS									
5801. ....	XXX							0	
5802. ....	XXX							0	
5803. ....	XXX							0	
5898. Summary of remaining write-ins for Line 58 from overflow page .....	XXX		0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) .....	XXX		0	0	0	0	0	0	

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated to the states based upon the situs of the contract of the individual and employer group policyholder

(a) Insert the number of L responses except for Canada and other Alien.



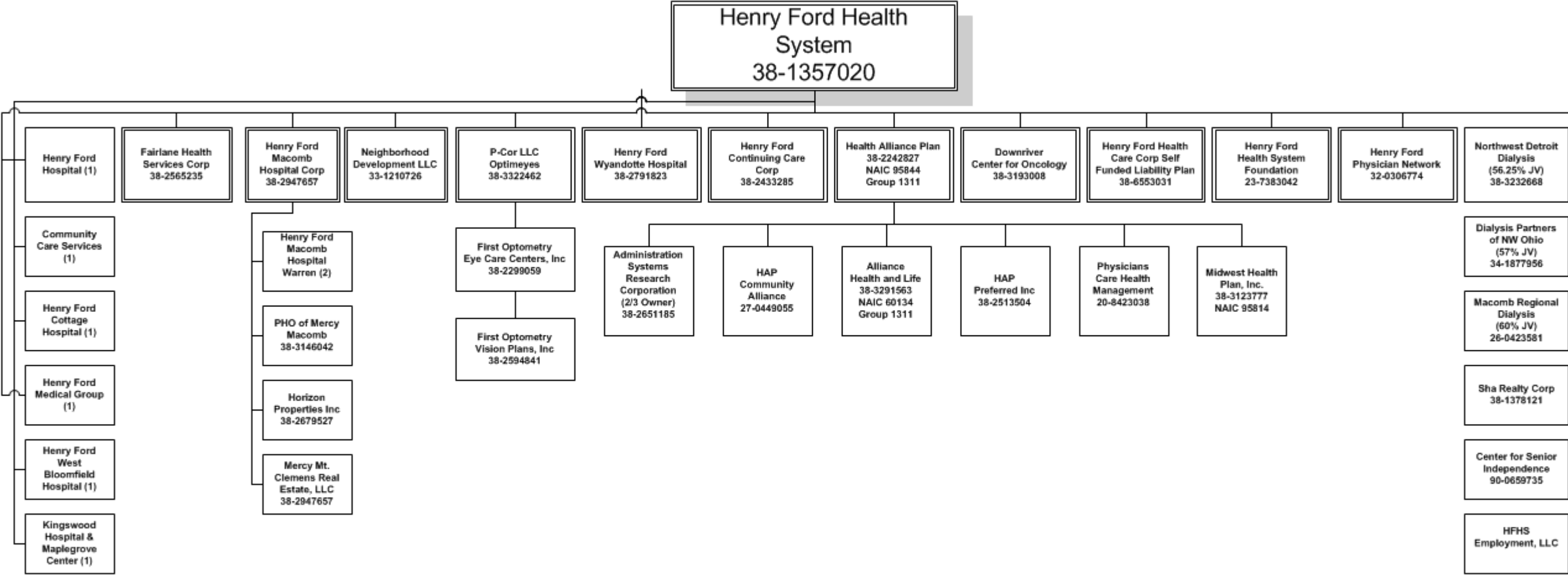
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Henry Ford Health System

As of December 31, 2011

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